

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



08027716

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden hours per response.....12.00

SEC FILE NUMBER

8-48093

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

SPP Capital Partners, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

330 Madison Avenue, 28th Floor

(No. and Street)

New York

(City)

NY

(State)

10017

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Amy Lazarus

(212) 455-4515

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO Seidman, LLP

(Name — if individual, state last, first, middle name)

330 Madison Avenue

(Address)

New York

(City)

New York

(State)

10017

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not in residence in United States or any of its possessions.

PROCESSED

MAR 19 2008

FOR OFFICIAL USE ONLY

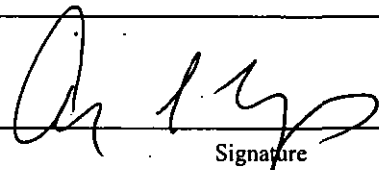
THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Amy Lazarus, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SPP Capital Partners, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

No exceptions.


Signature

Chief Financial Officer

Title



Notary Public

MARIE DIMICHELE
Notary Public, State of New York
No. 03-4998692
Qualified in Westchester County
Commission Expires July 6, 2010

This report** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Cash Flows.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation Between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A Copy of the SIPC Supplemental Report.
- ☐ (n) A Report Describing any Material Inadequacies Found to Exist or Found to Have Existed Since the Date of the Previous Audit.
- ☒ (o) Independent Auditors' Report on internal control required by SEC Rule 17a-5.
- ☒ (p) Independent Auditors' Report.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SPP Capital Partners, LLC

Statement of Financial Condition

December 31, 2007



BDO Seidman, LLP
Accountants and Consultants

SPP Capital Partners, LLC

Statement of Financial Condition

December 31, 2007

SPP Capital Partners, LLC

Contents

Facing page to Form X-17A-5	2A
Affirmation of officers	2B
Independent auditors' report	3
Statement of financial condition	4
Summary of business and significant accounting policies	5-7
Notes to statement of financial condition	8-10
Independent auditors' report on internal control required by SEC Rule 17a-5 for a broker-dealer claiming an exemption from SEC Rule 15c3-3	11-13



Independent Auditors' Report

The Members

SPP Capital Partners, LLC
New York, New York

We have audited the accompanying statement of financial condition of SPP Capital Partners, LLC ("Company") as of December 31, 2007 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of SPP Capital Partners, LLC as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The Company is a wholly-owned subsidiary of SPP Holdings, LLC ("Parent"). This financial statement should be read in conjunction with those of its Parent.

BDO Seidman, LLP

February 18, 2008

SPP Capital Partners, LLC

Statement of Financial Condition

December 31, 2007

Assets

Cash and cash equivalents	\$3,124,147
Fees receivable	811,955
Furniture, equipment and leasehold improvements, net (Note 1)	23,493
Other assets (Note 4)	86,536
	<hr/>
	\$4,046,131

Liabilities and Members' Equity

Liabilities:

Accrued compensation, expenses and other liabilities (Note 2)	\$1,793,226
Deferred rent	56,308

Total liabilities	1,849,534
--------------------------	------------------

Subordinated debt (Note 2)	1,100,000
-----------------------------------	------------------

Commitments (Notes 2, 3, 5 and 6)	
--	--

Members' equity (Note 6)	1,096,597
---------------------------------	------------------

	\$4,046,131
--	--------------------

See accompanying summary of business and significant accounting policies and notes to statement of financial condition.

SPP Capital Partners, LLC

Summary of Business and Significant Accounting Policies

Business

SPP Capital Partners, LLC ("Company") is a registered broker/dealer under the provisions of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is engaged in investment banking activities which include private placements and underwriting of securities and corporate finance advisory services.

The Company does not hold funds or securities for, or owe any money or securities to, customers and does not carry accounts of, or for, customers. Accordingly, the Company is exempt from the provisions of Securities and Exchange Commission ("SEC") Rule 15c3-3 under paragraph (k)(2)(ii).

The Company is a wholly-owned subsidiary of SPP Holdings, LLC ("Parent"). These financial statements should be read in conjunction with those of its Parent.

Cash and Cash Equivalents

The Company classifies cash held in a certificate of deposit account as a cash equivalent. The total cash balances are insured by the FDIC up to \$100,000 per bank. The Company has cash balances on deposit at December 31, 2007 that exceeded the balance insured by the FDIC in the amounts of approximately \$2,985,000.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Depreciation on furniture and equipment is computed on a straight-line basis over their estimated useful lives of five years. Amortization of leasehold improvements is on a straight-line method over the term of the lease.

Deferred Rent

The Company has a long-term operating lease under which rent expense is recognized on a straight-line basis over the lease term. Deferred rent represents the difference between rent on a straight-line basis compared to the annual rent payable.

SPP Capital Partners, LLC

Summary of Business and Significant Accounting Policies

Income Taxes

The Company is treated as a partnership for Federal, state and local tax purposes. Accordingly, no provision for income taxes has been made, except for the New York City unincorporated business tax.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of December 31, 2007, the Company does not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements. However, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of income for a fiscal period.

SPP Capital Partners, LLC

Summary of Business and Significant Accounting Policies

In July 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes", which establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. FIN 48 is effective for fiscal years beginning after December 15, 2007. The adoption of FIN 48 is not expected to have a material impact on the Company's results of operations or its financial position.

SPP Capital Partners, LLC

Notes to Statement of Financial Condition

1. Furniture, Equipment and Leasehold Improvements

At December 31, 2007, furniture, equipment and leasehold improvements consist of:

	Amount
Furniture and fixtures	\$ 357,035
Computer equipment	103,026
Leasehold improvements	334,737
	<hr/> 794,798
Less: Accumulated depreciation and amortization	(771,305)
	<hr/> \$ 23,493

2. Subordinated Debt

The subordinated loan from Parent bears interest at a rate equal to the prevailing prime rate of interest plus 1%; however, the rate on the loan has a floor of 10.5% and a ceiling of 12.5%. The loan matures on October 6, 2010.

The subordinated loan has been approved by FINRA and is available in computing net capital under the SEC Uniform Net Capital Rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

In January 2008, the Company obtained the consent of its Parent to extend the maturity of the loan to October 6, 2015, subject to the approval of FINRA.

3. Employee Benefit Plans

The Company sponsors a 401(k) plan which includes a profit sharing plan covering all eligible employees. The Company contributes up to a maximum of 3% of an employee's base salary, dependent upon the employee also making elective salary deferrals. The Company may also make discretionary contributions to the plan. Employees vest in the employer's contribution over a three-year period after the first year of service.

SPP Capital Partners, LLC

Notes to Statement of Financial Condition

The Company has a nonqualified additional compensation program which applies to the four key employees with employment agreements with the Company. The employees receive contributions under this plan when they are limited by Internal Revenue Code Section 401(a)17 or 415(c). Any such additional compensation is paid on a quarterly basis and treated as current compensation for tax purposes.

4. Related Party Transaction

The Company has a service agreement with SPP Mezzanine Partners II, LLC, a wholly-owned subsidiary of the Company's parent. The agreement provides for advisory fees to be paid to the Company monthly, as well as an advisory bonus to be calculated based on 5.35% of the affiliate's net profit before bonus.

5. Commitments

Lease

The Company has an operating lease expiring in September of 2010 for its office space in New York City. The Company also has a two year lease expiring in January 2009 for its facilities in New Jersey. Minimum annual payments approximate:

<i>December 31,</i>	
2008	\$ 425,000
2009	416,000
2010	313,000
	<u>\$1,154,000</u>

The Company's New York City lease contains provisions for increased base rent over the term of the lease.

SPP Capital Partners, LLC

Notes to Statement of Financial Condition

Employment Agreements

The Company has entered into employment agreements with four key employees which expire in 2010. These agreements provide for (1) annual base salaries totaling \$1,137,500; (2) additional compensation intended to provide for incremental personal income taxes paid by the employees due to their membership in the Company; and (3) annual bonuses, which include a base bonus, supplemental bonus and incentive bonus, all defined in the employment agreements.

In January 2008, the employment agreements were extended through 2015.

Revolving Credit Facility

The Company has a revolving credit facility, which the Company can use as a subordinated loan in the amount of \$1,671,503, with a maturity date of October 6, 2011. Any borrowings made under this line of credit are at an interest rate of prime plus 2% per annum.

At December 31, 2007, \$136,502 of this facility was assigned as a security deposit under the lease described above.

The Company obtained a consent from its lenders to extend the revolving credit facility to October 6, 2015, subject to the approval of FINRA.

6. Regulatory Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum regulatory net capital and a specified ratio of aggregate indebtedness to regulatory net capital, both as defined, which shall not exceed 15 to 1. At December 31, 2007, the Company had regulatory net capital and a regulatory net capital requirement of \$2,448,205 and \$100,000, respectively. The Company's aggregate indebtedness to regulatory net capital ratio was .28 to 1. The Company's aggregate indebtedness to regulatory net capital after anticipated capital withdrawals was .53 to 1.



Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c-3-3

The Members
SPP Capital Partners, LLC
New York, New York

In planning and performing our audit of the financial statements of SPP Capital Partners, LLC (the "Company") as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.



The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.



BDO Seidman, LLP
Accountants and Consultants

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

New York, New York

February 18, 2008

END